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No. 88-2082

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

CHARLES R. CHRISTIANSON and INTERNATIONAL TRADE SERVICES, INC.,

Petitioners,

vs.

COLT INDUSTRIES OPERATING CORP.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

I. Colt Fails to Explain How, Upon Expiration of Its Patents, the Public was Given the Disclosure Which is the *Quid Pro Quo* of the Patent Grant.

This Court has consistently stated that when a patent expires "the thing formerly covered by the patent becomes public property." This was recently reaffirmed in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. ____, 103 L.Ed.2d 118, 135, 109 S.Ct. 971 (1989). Colt argues that the Seventh and Federal Circuits' decisions are not in conflict with this Court's applicable decisions

because the improved interchangeable M-16 parts were not "within the scope of its patent claims" and thus presumably not "the thing formerly covered." However, that very argument highlights the importance of this case and the need for granting the Writ.[1]

It is uncontroverted that Colt used its patent claims to charge others with infringing its patents when they tried to make the patented interchangeable M-16 parts, and Colt extensively licensed its patent claims for the manufacture of those M-16 parts. (See Petition, pp. 6, 13) Thus, for the purposes of patent enforcement (the monopoly grant) the improved interchangeable M-16 parts were "within the scope of the claims."

However, when it came time to view the scope of the claims from the standpoint of required disclosure (the public benefit), and preventing the extension of Colt's monopoly, the view changed. The very same M-16 parts were no longer something which the public was entitled to duplicate so as to permit effective competition after patent expiration. Colt obtained and protected its monopoly for 17 years and now, after 25 years, it continues to use

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[1] The Petition (pp. 15-19) extensively points out the conflict of this case with this Court's consistent admonition in applicable decisions that "any attempted reservation or continuation in the patentee . . ., after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent law." *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255-256. Moreover, the need for granting the Writ is underscored by the fact that despite this Court's admonitions as recently as in *Bonito Boats*, they were ignored.

The Seventh Circuit recognized, in its footnote 8 (PA-19), that patent extension was involved. Nonetheless, it did not reconcile any of this Court's decisions which speak to the issue, such as *Bonito Boats* or *Marcalus*.

the concealed critical and unduplicatable information as an extraordinarily powerful restraint on competition for the previously patented parts of a U.S. standard product.

Such a result is squarely against the rationale of the applicable decisions of this Court, as outlined at pages 19-26 of the Petition, which reiterate that the patent system is primarily intended for public benefit. None of the cases cited by Colt, prior to this case, permit differing treatments of claim scope for patent disclosure as compared to patent infringement. Nor do they sanction concealment of essential information required to carry out the invention in the U.S. standard product for which it was designed.

This Court should not allow this widely cited and referenced case[2] to further take root. Otherwise, patent draftsmen will be encouraged to cleverly draft patents with broad patent claims to limit large segments of the market and create monopolies of indefinite terms in exchange for little or no disclosure of value to the public. As explained in the Petition, the Writ should be granted because this case involves an important issue of federal law that has been decided in serious conflict with the statute (35 U.S.C. § 112), the Constitutional policies of the patent system to grant monopolies for only "limited times" (Art. 1, § 8, Cl. 8), the public interest, the reasoning of the applicable decisions of this Court, and the Sixth Circuit's decision in *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (1977).[3]

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[2] This case has been widely cited and discussed by patent law treatises and by the patent bar. See examples in Christianson's petition brief, fn. 10 and Colt's opposition brief, fn. 6.

[3] Colt's argument that there is no conflict with *Union Carbide* is mistaken. The Sixth Circuit had to determine whether certain

(Footnote continued on following page)

II. Christianson Did Present Below the Issues Upon Which He Now Seeks a Writ of Certiorari.

Colt recasts one of Christianson's issues to make a strawman and then proceeds to argue that this recast issue was never presented below. Specifically, Colt argues that Christianson is contending "that because the 'M16' rifle incorporates components for which Colt at one time had patent protection, Colt may not now claim trade secret protection as to any other element of that product." (p. 8) However, Christianson has never contended, nor did the district court find, that just because one obtains a patent on a part of a product, there is a duty to disclose trade secrets on parts of the product unrelated to the patented part.

The present case deals with the situation of a patentee with monopoly power who failed to disclose certain criti-

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[3] *continued*

specifications of Union Carbide's commercial scale-up of an invention related to the best mode, *supra*, 550 F.2d at 358. The patented process used, among other things, an "extruder." Like Colt, Union Carbide only illustrated the extruder in the patent without disclosing any specifications such as its "peculiar characteristics, i.e. having flights of *certain shape, length, and number.*" *supra*, 550 F.2d at 361. (Emphasis added) Like Colt, Union Carbide kept those critical specifications a secret. Like Colt, Union Carbide then licensed fifty-four licensees to "a 'know-how package' " containing "extensive written specifications, including the 'secret' extruder design of [patentee's] pilot plant." *supra*, 550 F.2d at 360.

Unlike the Seventh and Federal Circuits, the Sixth Circuit logically found the commercial usage of the invention as presumptively being the "best mode of carrying out the invention." It stated that "[a]bsent overriding economic or other considerations, not apparent here, it would be expected that what was contemplated by [the inventor] as the best extruder for practicing his process [invention] would have been installed in [the patentee's] pilot plant." *supra*, 550 F.2d at 362. Thus, the Sixth Circuit found a failure to disclose the best mode.

cal, unduplicatable secrets[4] concerning the very parts which were patented, thereby enhancing and extending its monopoly position. Moreover, in the present case the patentee with monopoly power also organized a group boycott which drove its fledgling competitor out of business. As a consequence, the court, as a first step, refused to enforce certain critical trade secrets concealed from each patent in contravention of § 112. The District court, as a second step, refused to enforce all other M-16 secrets, not because they were required patent disclosure, but because it was an appropriate remedy under the antitrust laws to restore the competition which had been improperly restrained.[5] See *United States v. National Lead*

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[4] Colt's citations of various cases are not applicable here since their facts reveal that the information withheld was either readily reproducible or not critical to effective competition. For example, in *Illinois Tool Works Inc. v. Solo Cup Co.*, 179 U.S.P.Q. 322 (N.D.Ill. 1973), the infringer had successfully reproduced the dimensions of the patented drinking cups by measuring them. However, with M-16 parts, measurement cannot practically be done to satisfy the interchangeability requirement. (See PA-142-143.) As explained in the Petition, it is undisputed that the concealed M-16 information is unduplicatable, and critical even to the level of being a life or death matter. (See Petition, fn. 1.)

[5] Therefore the District Court's final judgment concluded that Colt's § 112 violation, in omitting the crucial interchangeability specifications for each patented part, by itself, only prevented enforcement of those alleged trade secrets:

> 4. In view of Colt Industries' wrongful retention as its trade secrets of information that it should have disclosed, under 35 U.S.C. § 112, 1st paragraph, in its M-16 patents, so that others could have made and used the M-16 inventions for use with the [M-16], such information is hereby declared void and unenforceable as trade secrets. . . .

The District Court then went on to address the consequences of the antitrust violations of Colt:

> . . . Colt Industries' monopolization of the M-16 market and sub-markets and agreements in restraint of trade in connec-

(Footnote continued on following page)

Co., 332 U.S. 319 (1947), cited to the Seventh Circuit in Christianson's Supplemental Brief, p. 4. (Disgorging of trade secrets to foster competition may be ordered in an antitrust case.) The District Court did not state, and Christianson has never argued, that absent the antitrust violations, all of the M-16 trade secrets would be unenforceable.

As a further matter, Colt asserts that the only grounds for affirmance presented on appeal below require a finding of a § 112 violation. While the appellate courts only reached and addressed the § 112 issue, the record reflects that a related alternative ground for affirmance was fully presented below, in the record, in the briefs and at oral argument.

Cases, many from this Court, were cited and argued below in which an extension of the patent monopoly was prohibited even though there was no § 112 violation.[6]

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[5] *continued*

tion with its suppliers and distributors require injunctive relief for an adequate remedy.

5. Though some of the M-16 trade secrets did not directly have to be disclosed in the patents for various reasons of timing and subject matter, in order to best place the public in a position it would have been in but for the wrongful acts of Colt Industries, and provide for proper competition, it is hereby declared that all trade secrets in technical information relating to the M-16, which came into existence prior to the entry of this order, are hereby declared void and unenforceable.

[6] An additional non-§-112 ground for affirmance was also briefed and argued to the Seventh Circuit (Brief for Appellees, pp. 45-50), and was also not addressed by the Seventh Circuit: Whether Colt should be considered to have committed a *per se* violation of the antitrust laws by organizing and enforcing a group boycott which put Christianson's company out of business, even if Colt had legitimate trade secrets it was seeking to enforce. See *Fashion Originators' Guild v. Federal Trade Com.*, 312 U.S. 457 (1941).

Examples of such cases and supporting argument are found in Christianson's Supplemental Appellee's brief, pp. 7-8, with relevant portions in the supplemental appendix to this brief, SPA-1-3. Moreover, Christianson submitted the entire text of *Bonito Boats* to the Seventh Circuit on February 29, 1989, with comment. See also appellee's initial brief, p. 39. Comparable arguments were also presented to the District Court. *See*, for example, Christianson's initial summary judgment brief, pp. 15-17, and his second summary judgment brief, pp. 75-78. See also the original pleadings, for example, paragraphs 18 and 19 of the complaint. Since the issue of extension of a patent monopoly without a § 112 violation was fully raised below and falls within Petitioner's Questions Presented No. 1, such issue is a part of the Petition to this Court.

CONCLUSION

The requested Writ should issue.

Respectfully submitted,

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SUPPLEMENTAL PETITIONERS' APPENDIX

Supplemental Brief for Appellees
United States Court of Appeals for the Seventh Circuit

Excerpts from Pages 7-8

[Page 7]

* * * *

2. Colt's Position, If Adopted, Serves to Improperly Extend Exclusivity Over Technology Beyond Patent Expiration

Colt's entire position is in conflict with the Supreme Court's consistent holdings that ". . . any attempted reservation or continuation in the patentee * * * of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent law." *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945); *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225 (1964); *Brulotte v. Thys Company*, 379 U.S. 29 (1965). The Constitutional mandate to Congress is "to promote the progress of science and useful arts, by securing for *limited times* to authors and inventors the exclusive right to their inventions and discoveries."

In *Rototron Corp. v. Lake Shore Burial Vault Co., Inc.*, 712 F.2d 1214 (7th Cir. 1983) this Court held:

> Therefore, the Rototron process cannot be regarded as a trade secret, because the grant of patent automatically constitutes full disclosure of the patented process. . . . the patentee's only protection is that afforded under the patent law.' These provisions of federal patent law prevail over inconsistent State remedies. [citing *Sears, supra*] Hence Rototron had no protectable trade secret after issuance of its patent on the rotational molding process.

See also *Boggild, et al. v. Kenner Products*, 776 F.2d 1315 (6th Cir. 1985) *cert.* -

[page 7 footnote]

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[3] The District Court noted that, even though 20 years had elapsed, no other existing rifle was submitted by Colt as being able to use or needing this type of a bolt closure mechanism. In addition to Bredbury's statements, *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (6th Cir. 1977), stands for the proposition that the "best mode" can logically be presumed to be the commercial embodiment.

[page 8]

denied 106 S.Ct. 3284 (1986), and *Pitney Bowes, Inc. v. Mestre*, 701 F.2d 1365 (11th Cir.) *cert. denied*, 104 S.Ct. 239 (1983). See also *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (Mich. S.Ct. 1920).

In *Sears*, relied upon by the District Court, but not discussed by Colt or the Federal Circuit, the Supreme Court stated:

> Finally, and especially relevant here, when the patent expires the monopoly created by it expires, too, and the right to make the article—*including the right to make it in precisely the shape it carried when patented*—passes to the public. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-122 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896).
>
> Thus the patent system is one in which uniform federal standards are carefully used to *promote invention while at the same time preserving free competition. Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date*

> or give a patent on an article which lacked the level of invention required for federal patents. *To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time.* Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws. (Emphasis Added)

* * * *